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TO RUEHC/SECSTATE WASHDC PRIORITY 9949
INFO RUEHLP/AMEMBASSY LA PAZ SEP LIMA 4684
RUEHCV/AMEMBASSY CARACAS 1068
RUEHBU/AMEMBASSY BUENOS AIRES 3185
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SUBJECT: COPPER STRIKE ENDS, WAGE PRESSURES CONTINUE

REF: SANTIAGO 1769

11. Summary. After nearly a month, the strike at the world's largest copper mine ended August 31. Workers received substantial wage and benefit increases. The concessions are likely to become the standard throughout Chile's mining sector, including state-owned CODELCO. This time of year is popular for new demands as the GOC develops its annual budget in September. We can expect that groups as diverse as high school students and truckers will continue to pressure the Chilean government to spend more of the country's windfall from copper. End Summary.

Strike Ends With Concessions

12. The 25-day strike at the world's largest copper mine, La Escondida, ended August 31. Workers at La Escondida, which in 2005 supplied eight percent to the world's copper, approved a new forty-month contract. The agreement included total salary increases of seven percent and a one-time bonus per worker of USD 16,600. The contract also added health, education and housing benefits for the union's 2,000 members.

13. The nearly-month long strike is reported to have been the longest private sector strike ever in Chile's mining sector. Others are worried by the outcome, believing the benefits and salary increases agreed upon will now become the sector standards. Alfredo Ovalle, President of the National Mining Society (SONAMI) said publicly "it is risky to determine long-term salary conditions using exceptional copper prices, which will not remain high indefinitely, as a basis for calculation. Once prices decrease, Chile will face high labor costs."

14. The strike has been closely followed throughout Chile as the government is under pressure to spend more of its own copper windfall. In particular, miners at the state-owned copper producer, CODELCO, have indicated the La Escondida agreement will be their model for negotiations scheduled to begin in December 2006.

15. Comment. As copper prices continue to hover near record levels, the pressure for wage concessions from the mining companies, private and state-owned CODELCO, will remain. We have also seen consistent pressure on the GOC from a whole range of groups, from high school students to truckers, to spend some of the windfall from high copper prices. So far, the GOC has resisted but there is no indication these demands will cease, especially as we move into September, when the government writes its annual budget.

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